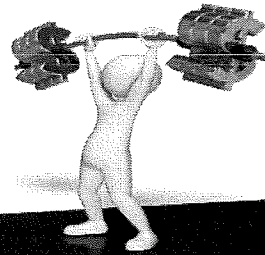




Florida School Boards Association

The voice of education in Florida.

Capital Outlay Budgets



Where are we?

Reduction of School Tax, combined with falling property values led to a significant reduction in capital revenues throughout the state.

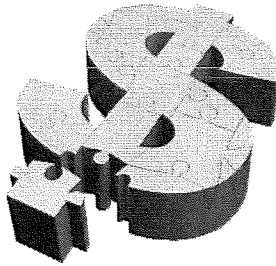
As of FY 2019, property values have recovered but tax revenue is still more than \$500 million less than was earned in FY 2008.

This also led to a reduction of borrowing capacity, delaying many construction projects.

This has led to many School Districts seeking voter approval for additional capital funds.

Revenues & Expenses

- Capital Revenues
- Authorized Uses



STATE SOURCES - Funds



- 310 CAPITAL OUTLAY BOND ISSUES (COBI)
- 320 SPECIAL ACT BONDS
- 340 PUBLIC EDUCATION CAPITAL OUTLAY (PECO)
- 360 CAPITAL OUTLAY AND DEBT SERVICE (CO&DS)

View the DOE ESE 139 Page 12 budget page

STATE SOURCES - FUNDS

- PUBLIC EDUCATION CAPITAL OUTLAY (PECO) – 340
 - Established by Section 9(a)(2), Article XII, the Florida Constitution
 - The gross receipts tax collected on utilities and communications services
 - Education sector distribution is based on the 5 year average of appropriations for school districts, colleges and universities.

Capital Outlay 5-year plan
Millage spend plan

STATE SOURCES - FUNDS

- PUBLIC EDUCATION CAPITAL OUTLAY (PECO) – 340
 - S. 1013.64(1) AND (3), F.S.
 - “PECO Maintenance” is based upon districts’ proportionate facilities need
 - “New Construction” is based upon districts’ capital outlay FTE (COFTE)
 - PECO funding is a lump-sum, annual legislative appropriation
 - Local board decision on specific projects unless specified by the Legislature

Capital Outlay 5-year plan
Millage spend plan

STATE SOURCES - FUNDS

- Capital Outlay and Debt Service (CO&DS) – 360
 - Established in Section 9(d), Article XII, Florida Constitution and in s. 1010.57, F.S.
 - Funded by Motor Vehicle License Tax Revenue (MVLRL)
 - MVLRL may be bonded or is automatically sent to district/college as cash on an annual basis

STATE SOURCES - FUNDS



- Capital Outlay Bond Issues (COBI) – 310
 - Bonded Motor Vehicle License Tax Revenue (MVLTR)
 - Bonds issued by the State Division of Bond Finance. Debt service paid by the State with MVLTR, reducing the amount of CO&DS your District receives.
 - School Board must approve a Bond Resolution to participate in the debt issue.

LOCAL SOURCES - FUNDS

- 330 Revenue Anticipation Notes (RANs) ¹
- 350 General Obligation Bonds (GO) ^{1,2}
- 370 District School Tax
- 380 Voted Capital Improvement Fund ²
- 391-398 Other Capital Projects
 - Impact Fees
 - School Capital Outlay Surtax ²
 - Local Government Infrastructure Surtax ²
 - Lease-Purchase agreements or Certificates of Participation (COPS) ¹



LOCAL SOURCES

- 330 Sections 1011.14 and 1011.15, F.S., Loans. Short-term (one year) loans for capital projects may be renewed by the district school board up to four times. Long-term, emergency loans may be secured for capital projects, such as to address a roof that has been destroyed or refrigeration equipment that is no longer functioning.
- 350 District Bonds. Bonds issued as the result of a referendum passed by voters are used to finance these capital projects. Most bonds are issued for the construction of new schools, but any capital project approved by the voters may be financed with these bonds.

LOCAL SOURCES

- 380 Voted Capital Improvement Fund. A tax of up to one mill may be levied for capital projects for up to two years pursuant to section 1011.73(1), F.S., if voted by the qualified electors of the school district.
- 399 American Recovery and Reinvestment Act Economic Stimulus Capital Projects. Capital projects funded by the ARRA related to construction, renovation and remodeling.

LOCAL SOURCES

- 370 Nonvoted Capital Improvement Fund District School Tax (Section 1011.71(2), F.S.) A tax levied by the district school board against the taxable value of property is used to finance projects advertised for expenditures pursuant to this authority. Sub funds should be used for each fiscal year levy to account for revenues, expenditures and unexpended amounts.



LOCAL SOURCES

- 391-398 Other Capital Projects. Capital projects funded by other sources, including
 - half-cent sales tax revenue (district school board referendum approved by the voters pursuant to section 212.055(6), F.S.),
 - one- cent intergovernmental local sales tax revenue (referendum by group of local governments, approved by the voters pursuant to section 212.055(2), F.S.),
 - lease-purchase agreements (COPS)
 - Impact Fees

LOCAL SOURCES - FINANCING OPTIONS

- Revenue Anticipation Notes - 330
 - Authorized in Sections 1011.14 and 1011.15, F.S.
 - Short-term (one year or less) loans anticipating future revenues
 - RANs or BANs can be renewed up to four times
 - Uses: buses, land and equipment, construction/renovation of educational facilities

VOTER APPROVED OPTIONS

- General Obligation Bonds
- Sales Tax
 - School Sales Tax
 - Local Government Infrastructure Sales Tax



LOCAL SOURCES - Voter Approved/Financing

- General Obligation Bonds - Authorized by F.S 1010.40
 - Pledges the full faith and credit of the School Board
 - Voters approve a millage levy that is used to make principal and interest payments.
 - Millage levy is set annually during budget adoption.
 - Generally 30 year maturity
 - Requires approval from Department of Education



CAPITAL OUTLAY MILLAGE – Section 1011.71 F.S.

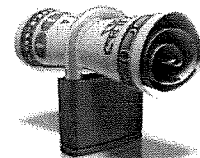
- May be used towards:
 - Remodeling and new construction projects that are recommended and approved in a Five-Year Educational Plant Survey.
- To rent or lease relocatables;
- Maintenance, renovations, repair, school bus purchases, and the purchase or replacement of equipment;
- The purchase, lease-purchase, or lease of new and replacement equipment hardware devices necessary for gaining access to, or enhancing, the use of electronic content and resources, excluding software other than the operating system necessary to operate the device;

CAPITAL OUTLAY MILLAGE

- May be used towards:
 - The payment of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants;
 - The purchase, lease-purchase, or lease of driver's education vehicles; motor vehicles used for maintenance or operation of plants and equipment; security vehicles; and/or vehicles used in storing or distributing materials and equipment.

CAPITAL OUTLAY MILLAGE

- May not be used towards:
 - Maintenance or new construction projects not included in the approved Five-Year Educational Plant Survey;
 - Expendable and consumable supplies such as textbooks, kindergarten toys, office/classrooms supplies;
 - Instructional or teaching materials



LOCAL SOURCES - FUNDS

- District School Tax – 370
 - This is the capital outlay millage commonly referred to as “1.5 mills”
 - Funded by local property taxes pursuant to s. 1011.71(2), F.S. and Section 9, Article VII, of the Florida Constitution
 - Enacted by vote of the local board after a public hearing
 - Must comply with TRIM, Truth in Millage.

NOTICE OF TAX FOR SCHOOL CAPITAL OUTLAY - ADVERTISEMENT

20

Advertisement

LOCAL SOURCES - FUNDS

- District School Tax – 370
 - Was "2 mills" until reduced to 1.75 mills in FY 2008. Led to 1011.71(3). If revenue from 1.5 isn't sufficient for payments due for lease-purchase agreements issued prior to 6/30/08 or to meet other critical capital needs, School Board can levy up to 0.50 mills for capital in lieu of discretionary mills for operations.
 - Reduced to 1.5 mills in FY 2009. Led to 1011.71(3). If revenue from 1.5 isn't sufficient for payments due for lease-purchase agreements issued prior to 6/30/09 or to meet other critical capital needs, School Board can levy up to 0.25 mills for capital in lieu of discretionary mills for operations.

LOCAL SOURCES – VOTER APPROVED

- Voted Capital Improvement Fund - 380
 - This is the .25 or 1 mil that many Districts have approved for operations. It can be also be used for capital.
 - A tax of up to one mill may be levied for capital projects for up to two years pursuant to section 1011.73(1), F.S. or four years pursuant to section 1011.73(2) F.S., if voted by the qualified electors of the school district.

LOCAL SOURCES – Voter Approved

- School Sales Tax - Authorized in F.S. 212.055(6)
 - School Board must adopt a resolution to levy up to 0.50 sales tax.
 - Board of County Commissioners must place it on the ballot.
 - Very specific rules for ballot language
 - At least 180 days prior to the referendum, OPPAGA (Office of Program Policy Analysis and Government Accountability) must receive a copy of the final resolution or ordinance. They will engage a CPA to conduct a performance audit.
 - Funds distributed by Department of Revenue monthly with a 2-month lag. There is also an additional quarterly payment.

LOCAL SOURCES - FUNDS

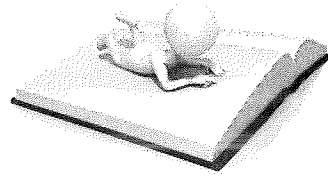
- School Impact Fees - Authorized by FS 163.31801 and County Ordinance
 - One-time fee assessed against new development
 - Designed to offset the cost of infrastructure consumed by the new development
 - Fee is often segregated by zones. Revenues must be spent in the geographic zones where the development occurred.
 - Fees vary from county to county. Rules also vary. Important to review your county's ordinance.

LOCAL SOURCES – VOTER APPROVED

- Local Government Infrastructure Sales Tax - Authorized in F.S. 212.055(2)
 - County, Cities and School Board adopt a resolution to levy up to 1.0 sales tax
 - An interlocal agreement is generally used to determine how the proceeds are split
 - Board of County Commissioners must place it on the ballot.
 - Very specific rules for ballot language
 - At least 180 days prior to the referendum, OPPAGA (Office of Program Policy Analysis and Government Accountability) must receive a copy of the final resolution or ordinance. They will engage a CPA to conduct a performance audit.
 - Funds distributed by Department of Revenue monthly with a 2-month lag. Plus true-up.

FINANCING OPTIONS

- Equipment Lease
- Certificates of Participation
 - QZAB – Qualified Zone Academy Bonds
 - QSCB – Qualified School Construction Bonds
- Sales Tax Financing
- RAN/TAN – Revenue (or Tax) Anticipation Notes



FINANCING OPTIONS

- Equipment Lease
 - Similar to a car loan, but called a lease.
 - Often used to finance the purchase of buses and vehicles.
 - Pledging Capital Outlay Tax Revenues for principal and interest payments.
 - Asset held in District's name. Lessor has the right to take the asset back if payments aren't made.
 - Individual transactions or a Master Lease Agreement.

FINANCING OPTIONS

- Certificates of Participation (COPs)
 - Lease-Purchase Agreement
 - Frequently used to finance construction projects.
 - Authorized by F.S. 1013.15(2) with limitations in 1011.71(2)(e)
 - Non-Appropriation Clause – Credit rating one notch less than Issuer or GO rating.
 - All or None clause - If you default on one COP issue, you default on all.
 - Generally, maturity is 25 years.



LEASING CORPORATION

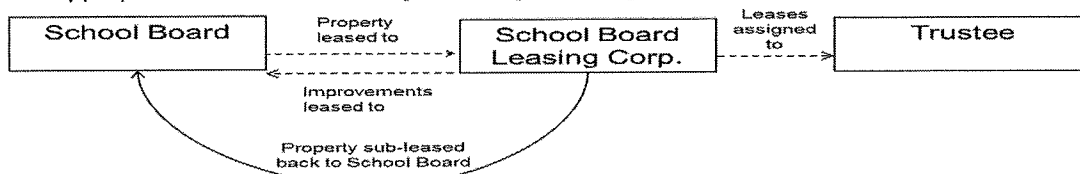
- A Florida not-for-profit corporation.
- The Board members of the corporation are the members of the School Board.
- The by-laws require an annual meeting to elect officers. Board members or District staff may be elected to serve as officers. The election is held after the annual School Board reorganization meeting.
- Created as part of the Master Lease Program that allows the School Board to finance school facilities and sites by making lease payments subject to annual appropriation by the School Board.

MASTER LEASE PROGRAM

- The program is a lease-purchase concept authorized by FL St 1001.42 and 1013.15. The structure was most recently validated by the Florida Supreme Court in 2008.
- There are three components to the program
- Master Lease Agreement – between the School Board and the Leasing Corp.
- Master Trust Agreement – between the Leasing Corp and Trustee
- Certificates of Participation – instruments issued by the Trustee at the direction of the Leasing Corp, representing the right of the Certificate holder to receive lease payments from the School Board

MASTER LEASE AGREEMENT

- The School Board leases property to the Leasing Corp.
- The Leasing Corp then sub-leases the property back to the School Board so improvements can be made from the proceeds of sale of the Certificates of Participation held by the Trustee.
- The School Board makes annual lease payments, or rent, that equates to the principal and interest due on the certificates of participation. The obligation of the School Board is subject to appropriation in the annual budget. The agreement governs all COP issues.

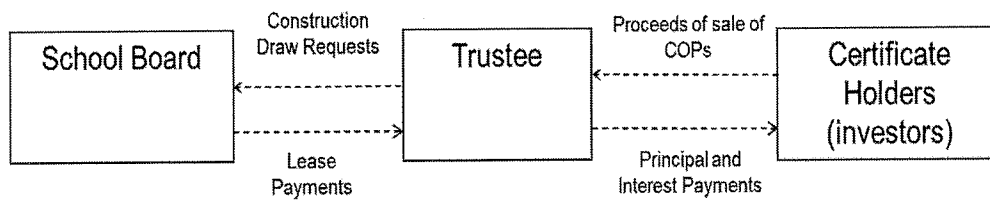


CERTIFICATES OF PARTICIPATION (COPS)

- A COP is an obligation sold to investors representing the right to receive payments made by the School Board under the Master Lease.
- The School Board requests and the Leasing Corp directs the Trustee to issue COPs to finance or refinance capital projects.
- The COPs are sold to investors. The sale can be conducted via a competitive or negotiated process. In the past, all were issued as publicly traded certificates but in recent years privately placed transactions have been more effective. The specific details of the transactions are reviewed with the Finance Committee before they are submitted to the School Board and Leasing Corp.

CERTIFICATES OF PARTICIPATION (COPS)

- The School Board sends lease payments, or rent, to the Trustee. This equates to principal and interest. The trustee then forwards such payments to the certificate holders (investors).

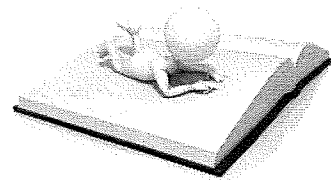


FINANCING OPTIONS

- QZAB – Qualified Zone Academy Bonds
 - Essentially, an interest-free loan. A bank will purchase the bonds; and the Federal Government pays the interest in the form of a tax credit to the bank. The documentation is similar to a COP issue and requires a supplement to the Master Lease.
 - The bonds are generally structured with annual payments over a twelve to sixteen-year period. The bonds are paid in full at maturity, but the District is required to transfer a principal payment to an escrow account annually.
 - School must be in an empowerment zone or school with 35% FRL.
 - Requires a private match of 10% (cash, equipment, services, curriculum)

FINANCING OPTIONS

- QSCB – Qualified School Construction Bonds
 - The Federal Government, as part of the American Recovery and Reinvestment Act (ARRA) created Qualified School Construction Bonds (QSCBs) and issued prior to 12/31/10.



FINANCING OPTIONS

- Tax credit bonds and are interest free – or very low net – to school districts. In conjunction with the Build America Bond (BAB) Program, also part of the ARRA legislation, the bonds could be issued as taxable which opened up a new market for the District. The U.S. Treasury was to provide a subsidy to cover the difference between the taxable and tax-exempt borrowing rate. Due to sequestration, the subsidy has been reduced each year since 2013
- The documentation was similar to a COP issue and required a supplement to our Master Lease. The transaction is included in the calculation of COP capacity. The bonds are generally structured with annual payments over a twelve to sixteen-year period.

FINANCING OPTIONS

- Sales Tax Financing
 - Sales Tax can be used on a pay-go basis.
 - Can also be expedited through borrowing.
 - Sales Tax Revenue Bonds - locks in the amount borrowed and repayment schedule
 - Revolving Letter of Credit – borrow as needed, or just provide borrowing capacity
 - Revenue Anticipation Notes – annual loan that can roll up to 5 years
 - Commercial Paper – issue CP for up to 270 days and reissue as needed. Requires a letter of credit to back the debt in case investors can't be found when time to reissue.

CAPITAL ACCOUNTS

- 600 – Capital Outlay
 - 610 Library Books
 - 620 Audiovisual Materials
 - 630 Buildings and Fixed Equipment
 - 640 Furniture, Fixtures and Equipment
 - 650 Motor Vehicles
 - 660 Land // 670 Improvements Other Than Buildings
 - 680 Remodeling and Renovations
 - 690 Computer Software
- Others
 - 910 Transfers to General Fund.
 - 920 Transfers to Debt Service Funds
 - 794 Charter School State Capital Outlay
 - 710 Redemption of Principal
 - 720 Interest
 - 730 Dues and Fees

DEFINITIONS MATTER

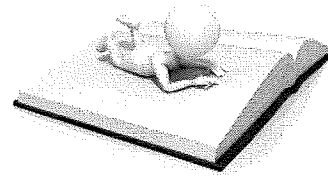
- [HTTP://WWW.LEG.STATE.FL.US/STATUTES/INDEX.CFM?APP_MODE=DISPLAY_STATUTE&SEARCH_STRING=&URL=1000-1099/1013/SECTIONS/1013.01.HTML](http://www.leg.state.fl.us/statutes/index.cfm?app_mode=display_statute&search_string=&url=1000-1099/1013/sections/1013.01.html)
- (12) "Maintenance and repair" means the upkeep of educational and ancillary plants, including, but not limited to, roof or roofing replacement short of complete replacement of membrane or structure; repainting of interior or exterior surfaces; resurfacing of floors; repair or replacement of glass; repair of hardware, furniture, equipment, electrical fixtures, and plumbing fixtures; and repair or resurfacing of parking lots, roads, and walkways. The term "maintenance and repair" does not include custodial or grounds keeping functions, or renovation except for the replacement of equipment with new equipment of equal systems meeting current code requirements, provided that the replacement item neither places increased demand upon utilities services or structural supports nor adversely affects the function of safety to life systems.

STATE SOURCES

- 310 COBI. State of Florida capital outlay bond issues are used to finance these capital projects. These projects include the construction of new schools, including capital equipment and additions to existing schools.
- 320 Special Act Bonds. Special act bonds (including Racing Commission revenue bonds) are used to finance these capital projects, which vary in purpose depending on the specifications of the bond issue.

STATE SOURCES

- 340 Public Education Capital Outlay (PECO). The gross receipts tax used to finance capital projects. MAINTENANCE AND CONSTRUCTION
- 360 Capital Outlay and Debt Service (CO&DS) Program. The school district's allocation from the state of Florida's CO&DS Program is used to fund projects such as the construction of new schools, including capital equipment and additions to existing schools.



CAPITAL OUTLAY BOND ISSUE (COBI)

Uses:

- For acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes.
- The cash allocation of CO&DS funds may be used for lease-purchase agreements or debt service when the proceeds of such loans are used to pay for capital outlay projects that are eligible for the expenditure of CO&DS funds (i.e., local bond issues, loan notes provided in ss. 1011.14 and 1011.15, F.S.).

CAPITAL OUTLAY BOND ISSUE (COBI)

USES:

- Funds can be used to repair a heating/ventilating/air-conditioning (HVAC) system only in the order of priority pursuant to a PPL approved by DOE.
- Funds may not be used to lease portable space when construction renders a portion of the school temporarily unusable.

PECO MAINTENANCE – Section 1013.64 (1) F.S.

- Projects prolong the useful life of the facility
 - Projects must be recommended and approved in a Five-Year Educational Plant Survey
 - Examples include painting and roofing
 - Does not include the funding of a maintenance study, an evaluation of maintenance needs, or a management review of the maintenance needs
- May include a “remodeling” project - Defined in s. 1013.01(17), F.S.
 - Changes the use of an existing facility by rearrangement of spaces and their use

PECO MAINTENANCE – Section 1013.64 (1) F.S.

- At least 1/10th of the annual PECO Maintenance allocation must be used to correct unsafe, unhealthy, or unsanitary conditions pursuant to s. 1013.64(1)(f), F.S.
- PECO maintenance is used to for maintenance and can be transferred to the general fund.
- *No PECO maintenance funds were allocated for districts in FY 2020*

PECO NEW CONSTRUCTION – Section 1013.64 (3) F.S.

- Generally for projects that increase student station capacity or for equipment in a new school that serves an educational purpose
 - Projects must be survey recommended and approved in a Five-Year Educational Plant Survey
 - *No New Construction allocation since 2010*
 - May include:
 - New schools and additions & Correction of safety-to-life deficiencies identified and reported in the safety-to-life report
 - Equipment necessary to make a *new school* operational for its intended purpose (e.g., desks, science and library tables, books for the media center, science lab equipment)

PECO

- May not include:
 - Athletic facilities or other competition-type facilities not part of a physical education curriculum
 - Equipment used to manage the district
 - Textbooks, kindergarten toys, tape recorders
 - Computer software in excess of the operation system necessary to make the machine operational (e.g., Photoshop, various instructional materials)
 - PECO funds cannot be used to satisfy debt service requirements

CAPITAL OUTLAY AND DEBT SERVICE (CO&DS)

Uses:

- For acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes.
- The cash allocation of CO&DS funds may be used for lease-purchase agreements or debt service when the proceeds of such loans are used to pay for capital outlay projects that are eligible for the expenditure of CO&DS funds (i.e., local bond issues, loan notes provided in ss. 1011.14 and 1011.15, F.S.).
- Funds can be used to repair a heating/ventilating/air-conditioning (HVAC) system only in the order of priority pursuant to a PPL approved by DOE.
- Funds may not be used to lease portable space when construction renders a portion of the school temporarily unusable.

1011.71



- Know your statutes
- http://www.leg.state.fl.us/statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statute&Search_String=1011.71&URL=1000-1099/1011/Sections/1011.71.html
- You can pay for maintenance with capital millage, but not in a capital fund.

Are we there yet?

- Spend time with your facilities team.
- Communicate and find a facilities friend.
- There are gray areas in the capital definitions and rules.
- Call DOE or another district with questions.

